

# SENATE BILL REPORT

## SB 5137

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As Reported By Senate Committee On:  
Labor, Commerce, Research & Development, February 1, 2007

**Title:** An act relating to revising the industry average unemployment contribution rates.

**Brief Description:** Modifying industry average unemployment contribution rates.

**Sponsors:** Senators Kohl-Welles and Keiser; by request of Governor Gregoire.

**Brief History:**

**Committee Activity:** Labor, Commerce, Research & Development: 1/22/07, 2/1/07 [DPS-WM, DNP].

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### SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 5137 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Franklin and Murray.

**Minority Report:** Do not pass.

Signed by Senators Clements, Ranking Minority Member and Holmquist.

**Staff:** Jennifer Strus (786-7316)

**Background:** Currently new employers, or those employers who do not have enough experience for an earned unemployment insurance tax rate, are assigned a rate that is the average of the rate for their industry plus 15 percent.

**Summary of Bill:** The rate assigned for new employers or those who lack sufficient experience in the system is 100 percent of the average rate for their industry.

**EFFECT OF RECOMMENDED SUBSTITUTE (Labor, Commerce, Research & Development):** A sliding scale is created to determine the new employer unemployment insurance tax rate. If benefits charged to new employers are less than 95 percent of contributions paid by the new employers in the three fiscal years preceding the computation date, the new employer rate is 90 percent of the average industry rate. If the benefits charged are at least 95 percent but less than 105 percent of the contributions paid by the new employer in the three preceding years, the new employer rate is 100 percent of the average industry rate. If the benefits charged are at least 105 percent of the contributions paid in the preceding three years, the new employer rate is 115 percent of the average industry rate.

**Appropriation:** None.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This bill represents a part of the Governor's strategy to improve the climate for new businesses, especially small businesses. This is a nice way to put \$9 million back into the pockets of business owners. The result of the unemployment insurance (UI) bills passed in the last several years is that the industry average is now a more accurate industry average. Department of Employment Security (ESD) discovered in studying new employers tax rates that new businesses paid into the system \$96 million in taxes while claiming only \$25 million in benefits. Even at 100 percent of the industry average, new firms would still have paid \$83 million into the system while claiming only \$25 million in benefits. The suggestion to modify the percentage so that it would be more of a sliding scale number is agreeable.

OTHER: ESD statistics show that new businesses at the tax rate of 115 percent pay more into the system than their employees claim. Even at 100 percent of the industry average, they will still pay more overall than their claims. The tax rate should be set at the right percentage so that overpayments are limited. There is promise with having the tax rate determined on a sliding scale basis.

**Persons Testifying:** PRO: Marc Baldwin, Governor's Executive Policy Office; Jeff Johnson, WA State Labor Council, American Federation of Labor - Congress of Industrial Organizations.

OTHER: Mellani McAleenan, Association Washington Business; Mark Johnson, Washington Retail Association.